ANNUAL REPORT 1971

Inglis

Financial Highlights

	1971	1970
Sales	$65,330,215	$49,847,162
Net profit (loss)	$ 1,180,139	$ (616,599)
Per share	$ .90	$ (.47)
Depreciation and amortization	$ 1,386,484	$ 1,351,714
Preproduction expenses written off	$ 452,000	$ 452,000
Working capital	$11,335,614	$ 8,287,997
Shareholders' equity	$14,479,018	$13,298,879
Per share	$ 11.00	$ 10.11

directors

Charles-Émile Bélanger
Sidney L. Boyar
John A. Boyd
Air Marshal Hugh Campbell, C.B.E., C.D.
James D. Irving
Conde G. Maiden
J. Geoffrey Notman, O.B.E.
Douglas J. Peacher
R. Barrett Simpson
Humphrey B. Style
Robert B. Willemin

officers

Robert B. Willemin
Chairman of the Board
Conde G. Maiden
President and Chief Executive Officer
R. Barrett Simpson
Vice President – Finance, Treasurer and Secretary
Kenneth G. Coker
Vice President
William H. Minish
Vice President – Manufacturing Stoney Creek Plant
Frank H. Henson
Vice President – Manufacturing Toronto Plant
G. Hubert Morris
Vice President – Personnel and Industrial Relations
Donald H. Hobbs
Assistant Secretary

bankers

Bank of Montreal

transfer agent and registrar

Canada Permanent Trust Company
1901 Yonge St., Toronto 295
600 Dorchester Blvd. West, Montreal 101

auditors

Clarkson, Gordon & Co., Chartered Accountants
Toronto-Dominion Centre, Toronto 111

JOHN INGLIS CO. LIMITED 14 Strachan Ave., Toronto 150

Report of the Board of Directors

To the Shareholders:

Your Directors present herewith the Annual Report of your Company for the year ended December 31, 1971.

Net sales for the year ended December 31, 1971 amounted to $65,330,215 compared to net sales of $49,847,162 for the year ended December 31, 1970, an increase of 31.1%. Net profit for 1971 was $1,180,139 as compared with a net loss of $616,599 for 1970.

Considerable progress has been made in improving costs and increasing production efficiency at the refrigerator plant at Stoney Creek. However, refrigerators are selling at depressed prices and we have not as yet reduced our costs to the point that our refrigerator operations are profitable.

We announced on December 28, 1971 that The English Electric Company Limited had sold the remaining shares owned by it to Whirlpool Corporation and Simpsons-Sears Limited. Whirlpool now holds 43% of Inglis' shares outstanding and Simpsons-Sears holds 20%, the remaining 37% of the shares being distributed among some 1,284 shareholders. We view the action taken as evidencing confidence in your Company and its future.

Coincident with the sale of the English Electric holdings, resignation of Mr. George A Riddell of London, England, a Managing Director of English Electric, was received and accepted with regret by your Board of Directors. Mr. Riddell served on your Board from January 1963 and contributed significantly to the successful concentration of the Company in the major appliance industry.

Mr. Percival J. Baldwin, who has been serving as Assistant Secretary of the Company, has also resigned as a Director on the occasion of his retirement. The Board has expressed to Mr. Baldwin its appreciation for his dedicated service and contributions to the Company during thirty-four years as an officer and employee.

The Board is pleased to announce the election as Directors of the following:

Mr. Douglas J. Peacher
President and Director of Simpsons-Sears Limited, Toronto.

Mr. Sidney L. Boyar
Vice President and Director, Sears, Roebuck and Co., Chicago.

At the Annual Meeting you will be asked to approve a by-law increasing the number of Directors of your Company from eleven to twelve in order that Mr. Robert C. Upton, Group Vice President and Director, Whirlpool Corporation, may be nominated as a Director.

We look forward to the near and long term future with confidence, both in the ability of our people to meet the challenges the future will bring and also in the expectation that our business will reflect continuing and strong growth. We have never been stronger or better prepared to play an increasingly important role as a leader in the manufacture and marketing of major household appliances which will give our customers maximum in quality, value and service.

The improved operations of the year would not have been possible without the loyalty, support and efforts of Company employees; your Directors wish to record once again their appreciation.

On behalf of the Board,

Robert B. Willemin

ROBERT B. WILLEMIN
Chairman of the Board

C. G. Maiden

CONDE G. MAIDEN
President and Chief Executive Officer

March 2, 1972

John Inglis Co. Limited

(Incorporated under the laws of Ontario)

Balance Sheet

December 31, 1971 *(with comparative figures for 1970)*

Assets

	1971	1970
CURRENT ASSETS		
Accounts receivable	$ 8,830,310	$ 5,849,964
Inventories, valued at the lower of cost or market —		
Finished products	8,322,799	4,606,794
Materials and work-in-process	7,895,340	7,196,580
	16,218,139	11,803,374
Prepaid expenses	335,861	347,614
Total Current Assets	25,384,310	18,000,952
FIXED ASSETS — on basis of cost		
Land	423,878	423,878
Buildings	4,525,251	4,521,885
Equipment	8,767,973	8,357,970
	13,717,102	13,303,733
Less accumulated depreciation	6,468,335	5,741,177
	7,248,767	7,562,556
Unamortized tooling costs	512,482	845,047
	7,761,249	8,407,603
OTHER ASSETS		
Prepaid income taxes		300,000
Deferred preproduction expenses	451,279	903,279
	451,279	1,203,279
	$33,596,838	$27,611,834

On behalf of the Board:

Robert B. Willemin, Director

Conde G. Maiden, Director

Inglis

Liabilities

	1971	1970
CURRENT LIABILITIES		
Bank advances (note 2)	$ 3,187,478	$ 3,882,636
Short-term notes payable	2,500,000	
Accounts payable, warranties and accrued charges	7,322,194	5,225,629
Sales and other taxes payable	1,039,024	604,690
Total Current Liabilities	14,048,696	9,712,955
PROVISION FOR WARRANTY	600,000	600,000
DEFERRED INCOME TAXES (note 1)	469,124	
DEBENTURE, due March 31, 1973 (note 3)	4,000,000	4,000,000

Shareholders' Equity

	1971	1970
CAPITAL —		
Authorized 1,500,000 shares of no par value		
Issued 1,315,831 shares	11,814,269	11,814,269
EARNED SURPLUS	2,664,749	1,484,610
	14,479,018	13,298,879
	$33,596,838	$27,611,834

(See accompanying notes to financial statements)

John Inglis Co. Limited

For the year ended December 31, 1971 *(with comparative figures for 1970)*

Statement of profit and loss

	1971	1970
Sales	$65,330,215	$49,847,162
Profit on operations before the undernoted	$ 4,419,502	$ 1,879,155
Less:		
Depreciation and amortization	1,386,484	1,351,714
Interest on long-term debt	330,000	306,246
Other interest expense	301,755	605,794
Preproduction expenses written off	452,000	452,000
	2,470,239	2,715,754
Profit (loss) before income taxes	1,949,263	(836,599)
Income taxes (note 1)	994,124	(220,000)
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEM	955,139	(616,599)
Add extraordinary item:		
Income tax credit (note 1)	225,000	
NET PROFIT (LOSS) FOR THE YEAR	$ 1,180,139	$ (616,599)
Net earnings (loss) per share:		
Before extraordinary item	$ .73	$ (.47)
After extraordinary item	$ .90	$ (.47)

Statement of earned surplus

	1971	1970
EARNED SURPLUS, AT BEGINNING OF YEAR	$ 1,484,610	$ 2,101,209
NET PROFIT (LOSS) FOR THE YEAR	1,180,139	(616,599)
EARNED SURPLUS, AT END OF YEAR	$ 2,664,749	$ 1,484,610

Statement of source and application of funds

	1971	1970
SOURCE OF FUNDS:		
Operations—		
Net profit (loss)	$ 1,180,139	$ (616,599)
Depreciation and amortization	1,386,484	1,351,714
Preproduction expenses written off	452,000	452,000
Deferred income taxes	769,124	(220,000)
	3,787,747	967,115
Proceeds from issue of debenture		4,000,000
	3,787,747	4,967,115
APPLICATION OF FUNDS:		
Additions to fixed assets (net)	740,130	502,164
Redemption of 7% debenture		2,000,000
	740,130	2,502,164
RESULTING INCREASE IN WORKING CAPITAL	3,047,617	2,464,951
WORKING CAPITAL, AT BEGINNING OF YEAR	8,287,997	5,823,046
WORKING CAPITAL, AT END OF YEAR	$11,335,614	$8,287,997

(See accompanying notes to financial statements)

Notes to Financial Statements

December 31, 1971

1. The income tax provision reflects the normal charge applicable to the income earned by the Company as reported herein. As a result of differences in the timing of deductions for tax and book purposes, however, tax allowances may be received either earlier or later than the year in which the related expense is reflected in the books. The balance of the amount available to reduce income taxes of future years, $225,000, not previously set up in the accounts, has been brought into income as an extraordinary item.

Because of the timing differences referred to above, no income taxes are currently payable on the 1971 earnings and the tax liability has, therefore, been shown as deferred.

2. Accounts receivable and inventories have been pledged to the bank as security for the bank loan.

3. During the year the interest rate on the $4,000,000 debenture was renegotiated. The rate is now related to the ninety day money market rate with no minimum and at December 31, 1971 the effective rate was 6%.

4. The aggregate direct remuneration for the year paid or payable to directors and senior officers amounted to $218,296.

5. Based on the latest actuarial valuation of the Company's Pension and Retirement Plans, it is estimated that the unfunded obligation of the Company for pension benefits in respect of service rendered by employees to December 31, 1971 is approximately $1,231,330. The Company plans to fund this obligation by eighteen equal annual payments to the Trustee. Pension costs are absorbed against income as payments are made to the Trustee.

Auditors' Report

To the Shareholders of John Inglis Co. Limited:

We have examined the balance sheet of John Inglis Co. Limited as at December 31, 1971 and the statements of profit and loss and earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 27, 1972.

CLARKSON, GORDON & CO.
Chartered Accountants

5 year statistical review 1967-1971

(In thousands of dollars)

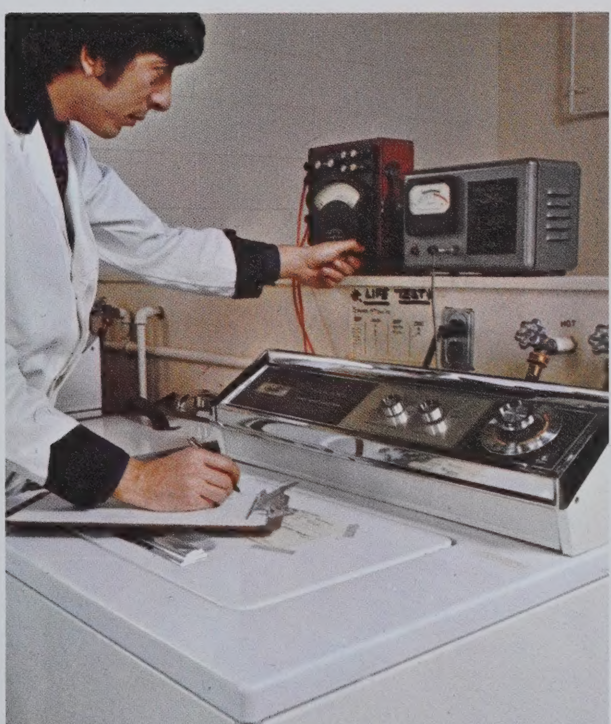
operations	1971	1970	1969	1968	1967
Sales	$65,330	$49,847	$47,867	$41,277	$31,700
Profit (loss) before income taxes	$ 1,949	$ (837)	$ 657	$ 877	$ 1,930
Per cent to sales	3.0%	(1.7)%	1.4%	2.1%	6.1%
Net profit (loss) before extraordinary items*	$ 955	$ (617)	$ 309	$ 412	$ 930
Per cent to sales	1.5%	(1.2)%	0.6%	1.0%	2.9%
Per share	$ .73	$ (.47)	$ .26	$ .37	$ .84
Net profit (loss) after extraordinary items*	$ 1,180	$ (617)	$ 437	$ 916	$ 1,930
Per cent to sales	1.8%	(1.2)%	0.9%	2.2%	6.1%
Per share	$ .90	$ (.47)	$ .37	$ .83	$ 1.74
Earned on shareholders' equity	8.5%	(4.5)%	3.5%	8.7%	21.2%
Depreciation on buildings and equipment	$ 744	$ 759	$ 675	$ 615	$ 236
Amortization of tooling	$ 642	$ 593	$ 553	$ 316	$ 245
Amortization of preproduction expenses	$ 452	$ 452	$ 452	$ –	$ –
Deferred preproduction expenses	$ –	$ –	$ –	$ 468	$ 1,104
Additions to buildings and equipment	$ 430	$ 267	$ 912	$ 749	$ 5,295
Additions to tooling	$ 310	$ 235	$ 691	$ 402	$ 1,126
balance sheet					
Working capital	$11,336	$ 8,288	$ 5,823	$ 5,389	$ 5,162
Ratio of current assets to current liabilities	1.81:1	1.85:1	1.33:1	1.44:1	1.63:1
Land, buildings and equipment — net	$ 7,249	$ 7,563	$ 8,055	$ 7,818	$ 7,684
Unamortized tooling	$ 512	$ 845	$ 1,202	$ 1,064	$ 978
Long term debt	$ 4,000	$ 4,000	$ 2,000	$ 4,500	$ 4,500
Shareholders' equity —					
Capital	$11,814	$11,814	$11,814	$ 9,314	$ 9,314
Earned surplus	2,665	1,485	2,101	1,664	748
	$14,479	$13,299	$13,915	$10,978	$10,062
Number of shares outstanding (in thousands)	1,316	1,316	1,316	1,107	1,107
Book value per share	$ 11.00	$ 10.11	$ 10.58	$ 9.91	$ 9.09
non-financial					
Number of employees (year end)	1,904	1,551	1,535	1,485	1,216
Number of shareholders (year end)	1,286	1,446	1,565	1,802	1,973

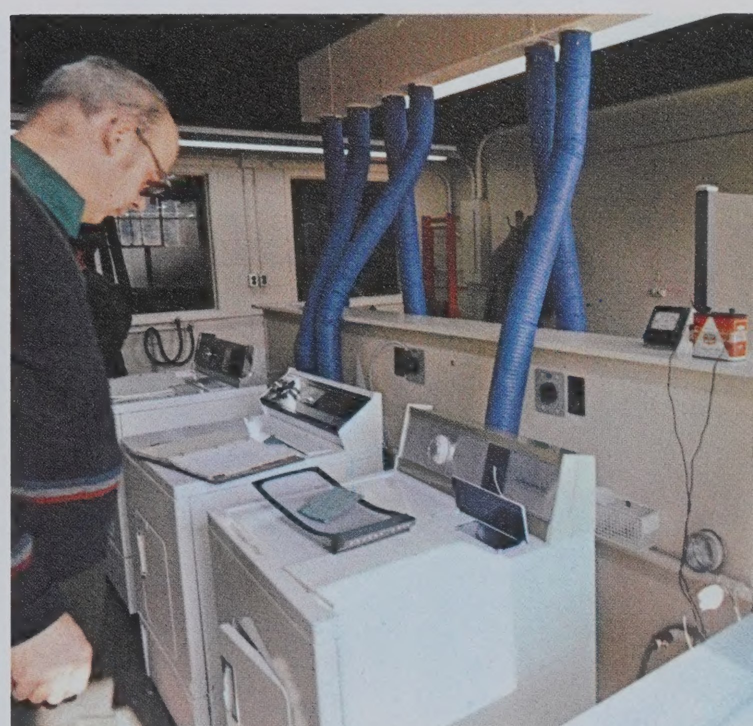
*Extraordinary items were income tax credits in 1969-1971 and profit on sale of land in 1968. In 1968 the Company adopted the tax allocation basis of computing the provision for income taxes. The figures for 1967 have been restated accordingly.

Quality Control

Inglis has the reputation of producing the finest appliances in Canada. To improve upon this quality performance, continued attention has been given to the further development of control systems and manufacturing processes. In 1971 additional engineering laboratory facilities for intensified preproduction testing were put in service. As well, further expansion of the special "Customer Acceptance" laboratory made possible the daily monitoring of a larger random sampling of finished products by simulating the typical home or apartment use application. Critical analyses are made with the involvement of factory, engineering and service personnel.

These studies, together with an ever-improving bank of field data supplied through the excellent network of service and sales branches and by major private label customers, resulted in a reduction of nearly one-third in field service incidence during 1971 as contrasted to previous years.





Service Operations

The sincere interest of Inglis post war management in the customer 'after the sale' resulted in the first Inglis Service Branch in Toronto in 1946 along with initial independent depots elsewhere in Canada. As significant sales growth was achieved through the marketing of new products and increased consumer acceptance, the Inglis Service operations expanded to become the largest and most effective appliance service organization in Canada.

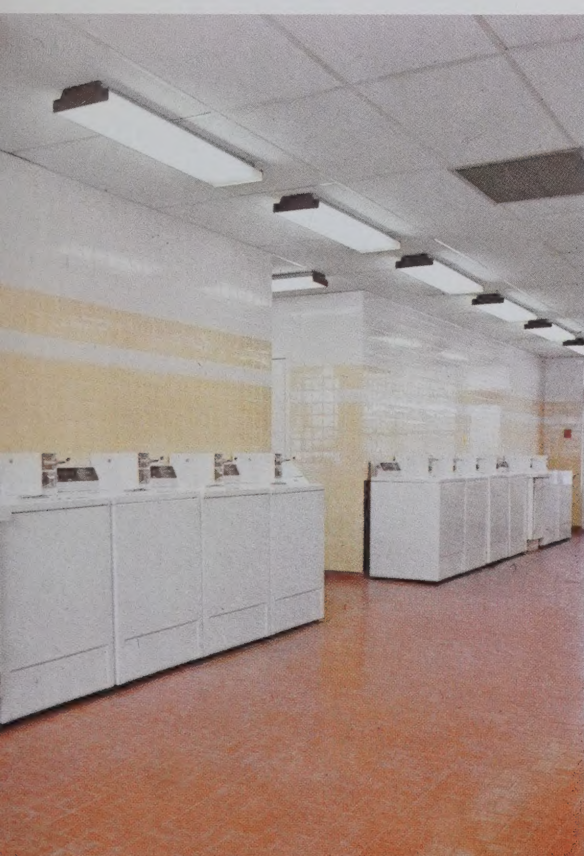
The Company service branches in the most highly populated areas plus a network of factory trained independent service depots assured first-class service available for products throughout the country.

The good service of Inglis did not just happen. It is the result of modern research efforts and planning before the sale. Today, parts stocks are maintained in branches and depots across Canada and service inventories are filled prior to production. In addition, the easily understandable warranty document continues to enjoy favourable customer reception. This basic service philosophy, plus products of the highest quality, has resulted in the healthy growth of the Inglis organization.

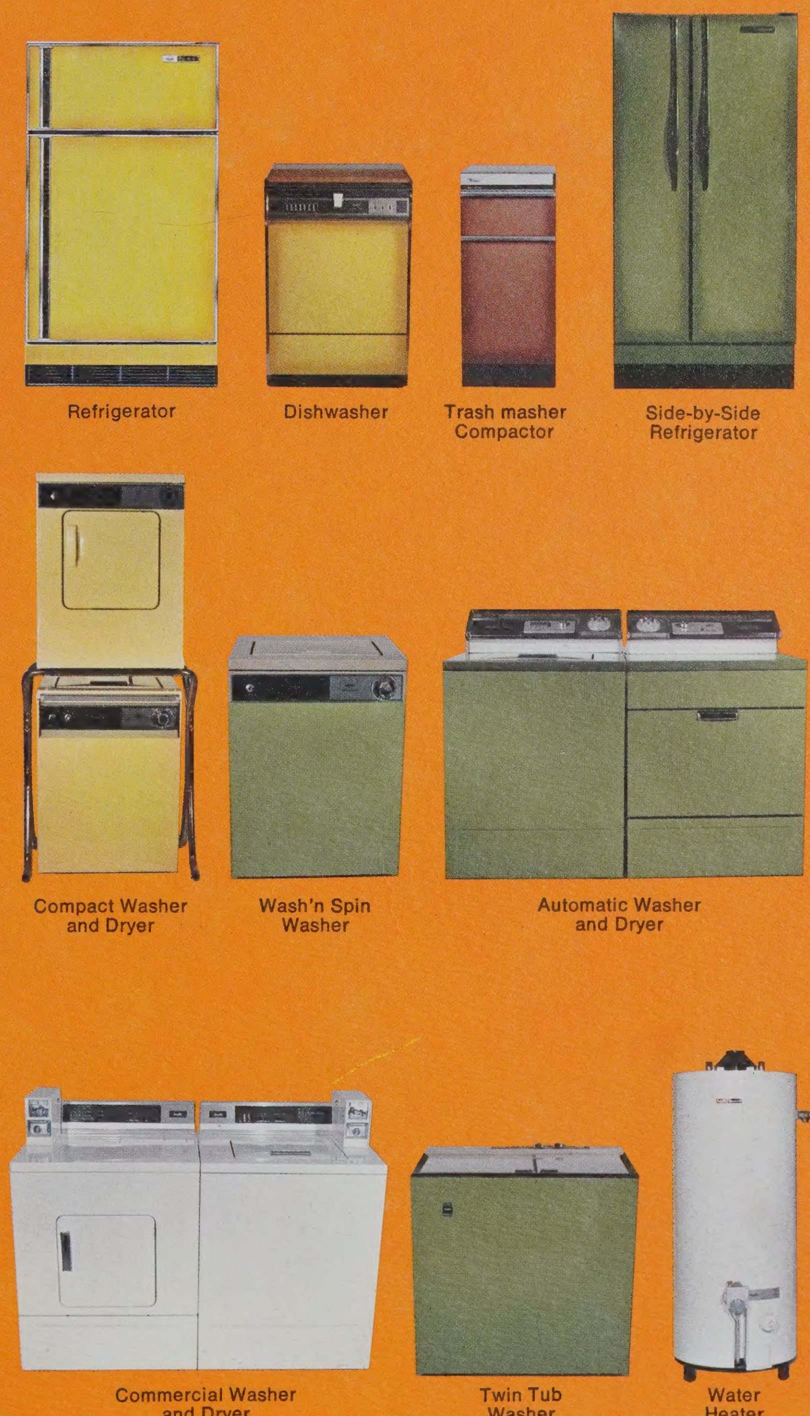
Commercial Operations

The reputation for quality and reliability which has been generated through the years, coupled with the very positive advantages of factory trained service personnel to ensure prompt and efficient maintenance when required, have made Inglis Coin-Operated Laundry Equipment preferred for coin-op stores and laundry rooms in apartment buildings across Canada.

Inglis laundry units are installed in apartments ranging from modest two storey buildings to multi-unit high rise complexes and from Government financed low income housing to high priced luxury suites. Their dependable performance and long life under high usage conditions make perceptive building management executives recognize that Inglis quality and 'after the sale' service ensure a minimum of resident complaints and a maximum return on investment.



Some of our products



Inglis

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